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EXECUTIVE SUMMARY

This Semiannual Report describes the activities of the Railroad Retirement Board-Office of Inspector General (OIG) during the six month period ending September 30, 1999. We continued our audit and investigative efforts to assist agency management in ensuring the highest level of service to the railroad community. Despite budgetary restrictions, we remain focused on improving the day-to-day operations of the Railroad Retirement Board.

The report also describes the ongoing OIG monitoring efforts of two significant areas of the Railroad Retirement Board: (1) the Year 2000 Project which involves the conversion of all computer application programs from a two-digit year designation to a full four-digit designation; and (2) the activities of the agency's Investment Committee which has the responsibility for the investment of over \$17 billion in RRB trust funds.

The Office of Audit conducted audits to assist this office in evaluating the agency's progress in meeting its strategic goals. Auditors identified potential monetary benefits of \$59,083,000 during this reporting period. The Office of Investigations continued its efforts to identify, investigate and refer for prosecution those individuals who fraudulently collect agency benefits.

INTRODUCTION

Office of Inspector General

The Office of Inspector General (OIG) has the responsibility for promoting economy, efficiency and effectiveness in the programs of the Railroad Retirement Board. The office is also charged with the detection, prevention and elimination of fraud, waste and abuse in agency operations. To accomplish its mission, the OIG conducts audits, management reviews, and investigations.

In fiscal year 1999, the Office of Inspector General had 60 employees and an operational budget of \$5,600,000. The OIG has three major components: the immediate office of the Inspector General, the Office of Audit and the Office of Investigations. The organization conducts its operations from two locations: the headquarters of the Railroad Retirement Board in Chicago, Illinois, and an investigative field office in Philadelphia, Pennsylvania.

Railroad Retirement Board

The Railroad Retirement Board (RRB) is an independent agency in the Executive Branch of the Federal government that is headed by a three member Board appointed by the President of the United States. The agency administers comprehensive retirement-survivor and unemployment-sickness insurance benefit programs for the nation's railroad workers and their families. The RRB also has administrative responsibilities under the Social Security Act for certain benefit payments and Medicare coverage for railroad workers. During fiscal year (FY) 1998, the RRB paid \$8.2 billion in retirement and survivor benefits to approximately 772,000 beneficiaries, while net unemployment and sickness insurance benefits of \$88 million were paid to almost 31,000 claimants. The RRB also administers its own Medicare Part B program through a single carrier, United HealthCare Corporation. The carrier made payments totaling \$671 million to 688,000 persons.

SIGNIFICANT ISSUES

MONITORING OF YEAR 2000 PROJECT

During this semiannual period, the Office of Inspector General issued its second monitoring report on the Railroad Retirement Board's (RRB) progress in implementing its Year 2000 project plan. This plan, which involves the conversion of all mainframe and personal computer (PC) application programs, provides for the use of a full four-digit designation rather than a two-digit year designation. The agency identified 160 mainframe and 70 PC systems requiring conversion, and 16 mainframe and 22 PC systems will either be retired or replaced. The completion goals were to convert all mission critical (those systems directly related to paying benefits) mainframe systems and all PC systems by December 31, 1998, and all non-mission critical mainframe systems by September 30, 1999.

During fiscal year 1999, the RRB continued to assign the highest priority to Year 2000 conversions. As a result, the agency completed conversion of all mission critical systems in January 1999, and accelerated the completion of non-mission critical systems. As of August 31, 1999, the RRB had completed conversions of 95% of all mainframe systems and 100% of PC systems.

Conversion of mainframe systems includes program coding changes and testing of individual systems. The agency is also conducting testing of critical payment systems together using year 2000 dates at headquarters and at an offsite disaster recovery facility. When all testing is complete, systems are considered to have met "final certification" for Year 2000 compliance. To date, 63% of mainframe systems have received final certification. Progress also continues on ensuring data exchanges with outside parties are compliant and that all computer equipment is Year 2000 compliant.

However, the RRB has additional work to complete to ensure operations will continue without serious Year 2000 disruptions. About 30 percent of personal computers and over 80% of local area network servers must be upgraded or replaced. The agency planned to procure all PC upgrades by the end of fiscal year 1999. In addition, an outside contractor, who was hired to assess all local area network servers in headquarters, will complete all necessary upgrades and replacements by November 1999.

Auditors also reviewed the RRB's Business Continuity and Contingency Plan (BCCP) which focuses on alternative processing methods should service disruptions occur because of Year 2000 issues. This document is an adjunct to the RRB's disaster recovery plan. Auditors identified omissions for some functions. As a result, management revised the BCCP and is currently testing the plan through review and rehearsal. Completion of testing was scheduled for October 1, 1999; a final BCCP was targeted for October 29, 1999.

INVESTMENT COMMITTEE ACTIVITIES

The OIG continues to review the activities of the agency's Investment Committee which has the responsibility for the investment of over \$17 billion in RRB trust funds. On June 9, 1999, this office provided updated information on the RRB's investment practices to officials of the Office of Management and Budget (OMB), the Department of the Treasury and members of select Congressional committees. Although the OIG has questioned the Committee on its strategy and trading activities, no meaningful changes have been made to the investment policy nor has a long-term strategy been developed.

The letter to OMB included supporting documentation that clearly indicated the short-term active trading program employed by the Committee. In May of this year, several transactions resulted in realized losses of over \$64 million for the trust funds. The OIG remains concerned that the frequency of trading has

increased significantly during the past twelve months. Such trades seem to be an attempt to time the movement of short-term changes in interest rates.

The Investment Committee has also recommended that the agency's Board Members allow it to develop a plan for expanding investment authority to include U.S. agency securities guaranteed by the Federal government. OMB and the OIG do not endorse such expansion of investment activity. In fact, we recommended that the management of the RRB's trust funds should be transferred to the Department of the Treasury.

During this reporting period, the OIG also reviewed two statements of work related to investment consultant services prepared by the Investment Committee. We provided comments to the Committee's Chairman suggesting clarification of specific tasks and questioned the need for obtaining additional consultant advice. It remains unclear what benefit is to be derived from engaging external consultants.

The OIG remains committed to monitoring ongoing investment activities.

CONVERSION OF DOCUMENTS

In June 1999, the agency implemented an updated document imaging system to process sickness insurance applications. Although an OIG audit of this process (see page 18) focused on the cost benefit analysis, the Office of Investigations (OI) monitored the process to ensure that evidentiary and investigative needs were preserved. OIG representatives attended meetings on the RRB imaging system implementation and specified documents that must be retained. The RRB General Counsel concurrently reviewed document retention issues for legal importance. Through the cooperative efforts of the agency, a satisfactory result was reached and new retention schedules were submitted to the National Archives and Records Administration for approval.

OFFICE OF AUDIT

The Office of Audit (OA) conducts reviews to: (1) promote economy, efficiency, and effectiveness in the administration of RRB programs and (2) detect and prevent waste, fraud and abuse in such programs. Through the Inspector General, this office ensures that the Board Members and the U.S. Congress are informed of current and potential problems in the RRB's operating programs, and advised of recommended improvements, as well as the status of corrective actions. OA examines programmatic, financial, and administrative aspects of RRB operations. OA also has the responsibility for conducting the annual audit of the RRB's financial statements.

During this reporting period, OA issued eleven reports containing recommendations with potential monetary benefits of \$59,083,000. The majority of these monies, \$48,000,000, is related to the financial interchange between the Railroad Retirement and Social Security systems (See page 14). Auditors also continued their monitoring efforts of the agency's Year 2000 project and investment committee activities as discussed in Part II, Significant Issues.

FINANCIAL INTERCHANGE: STATUS OF PRIOR RECOMMENDATIONS FOR CHANGE

The 1951 amendments to the Railroad Retirement Act (RRA) introduced the concept of a financial interchange (FI) between the Railroad Retirement and Social Security systems. The intent of the FI is to place the Social Security trust funds in the same condition that they would have been if railroad employment had been covered by the Social Security Act. The FI is a major source of funding for benefits payable under the RRA. The RRB pays out approximately \$8 billion in RRA benefits each year. The agency's FY 1998 financial statements recognized \$3.8 billion in financing related to the FI.

The FI methodology assumes 100% accurate claims processing. However, the Social Security Administration (SSA) occasionally overpays its beneficiaries and not all funds can be recovered by the agency. This circumstance is not factored into the methodology, and, as a result, SSA trust funds may be over funded by an amount equal to the value of unrecovered overpayments. In 1987, the OIG recommended that the RRB work with the Social Security Administration to implement policies and procedures to account for unrecovered overpayments. Both agencies held extensive discussions but no agreement was ever reached.

Because SSA was able to provide the OIG with unrecovered overpayment statistics for 1985 and subsequent years, auditors recommended that the RRB pursue inclusion of unrecovered overpayments in the financial interchange calculation. The financial impact of the change is estimated to be approximately \$48 million, including \$18 million in interest to the RRB trust funds

related to 1985-1997 and \$2 million for each year thereafter.

The RRB agreed to present the OIG's report to SSA officials and seek concurrence on an appropriate calculation method.

Estimated Financial Impact: \$48,000,000

REVIEW OF SUPPLEMENTAL ANNUITIES

In 1965, the U.S. Congress amended the Railroad Retirement Act (RRA) to include a supplemental annuity for career railroad employees. Beginning in 1966, current and future retirees who met additional requirements, primarily related to length of service, were eligible to receive this benefit. A supplemental annuity is available only to individuals who worked in the railroad industry prior to October 1981 and meet the minimum service requirement of 25 years. As a result, supplemental annuities will eventually be phased out. In fiscal year 1998, RRB supplemental annuity payments totaled approximately \$78 million.

Auditors conducted this review to assess the timeliness and accuracy of supplemental annuity payments. The review determined that such payments are processed with about a 96% case accuracy rate. The two most frequent adjudicative errors related to the establishment of supplemental annuity beginning dates and the reduction for private pension benefits. Auditors also identified individuals to whom benefits were never paid and non-entitled individuals who are receiving supplemental annuities.

The eligibility requirements, payment calculation and related financing impacts for supplemental annuities are complex.

Although supported by automated payment systems, the quality of the adjudicative process still relies on claims examiners for accurate decisions regarding key provisions of the RRA.

The report included recommendations to identify and correct over 7,000 supplemental annuities with an estimated aggregate financial impact of approximately \$11 million. These errors included cases in which required private pension reductions were not applied, supplemental annuity beginning dates were established incorrectly, and entitled individuals were not paid. Errors were also identified for which the financial impact could not be fully estimated. Auditors recommended that internal controls be developed to ensure the accuracy and timeliness of all information needed to compute supplemental annuities.

Program managers agreed with the majority of the report recommendations and have established plans for corrective actions and target completion dates. However, they disagreed with the report recommendation to identify and correct cases involving reductions for private pensions, citing the low number of overpayments that would be reopened and the cost effectiveness of such a project. The OIG has requested affirmation from the agency's Board Members on this decision to decline the recommendation. Two additional recommendations were declined; auditors reviewed the findings and determined management's evaluation to be reasonable.

Estimated Financial Impact: \$11,000,000

RETROACTIVE SPOUSE APPLICATION PROCESSING

Prior to the death of an employee annuitant, most aged widows receive benefits as retired spouses. Entitlement to spouse benefits ends with the death of the employee annuitant; a former spouse annuitant does not need to file a new application in order to receive benefits as a widow. The agency can begin the conversion of the spouse benefit to a widow's benefit upon notification of the employee's death using information already available in the automated systems. In certain situations, a widow who has not previously been awarded benefits as a retired spouse may be eligible for retroactive payment of those benefits.

Based on the results of a sample review, auditors estimated that there were approximately 427 unprocessed applications for retroactive spouse benefits in beneficiary claim folders. Recommendations were made for the identification and processing of retroactive spouse benefit applications, and the implementation of additional internal controls. Management disagreed stating that action to identify a few applications would not be an effective use of limited resources. Program managers plan to implement improvements in the control of applications when automation of the initial survivor application process is completed.

Auditors also determined that the agency's field office personnel may not have taken retroactive spouse applications from all eligible widows. Approximately 1,603 individuals may have been impacted. The field office provides assistance and information to applicants, claimants and others in filing, developing and adjudicating applications and claims. Circumstances that lead to the filing of an application for retroactive spouse benefits are relatively infrequent

and may be easily overlooked. Auditors recommended that internal controls be implemented to ensure all eligible widow applicants are offered an application for retroactive spouse benefits. A recommendation to solicit and process applications for the cases questioned by this audit was also included. Management disagreed, but stated a training reminder will be issued to field service personnel to advise them to look for similar situations and to ensure that a retroactive spouse application is offered when appropriate.

ADMINISTRATIVE FINALITY

Federal regulations provide for the finality of decisions related to the adjudication of claims for benefits under the Railroad Retirement Act. Applicants are advised in writing of the RRB's decisions on their claims for benefits and explicitly informed that the decision of the Board will be final unless the applicant protests. The same principle applies to benefit adjustments that occur after an original award has been made. Applicants may request that the decision be reviewed. Agency decisions become final when the time limit for requesting further administrative or judicial review has expired or when a dissatisfied claimant has exhausted his administrative and judicial rights.

Should the agency make an error during the benefit adjudication process, an overpayment/underpayment may result. If the error is discovered after the decision has become final, correction of the error can only be made pursuant to the provisions of Title 20 of the Code of Federal Regulations, Part 261, "Administrative Finality." These regulations were adopted in response to identified

inconsistencies in the reopening of final decisions when incorrect benefit payments were detected.

Auditors conducted this review to determine the accuracy of agency decisions to establish and collect receivables in accordance with Federal regulations concerning administrative finality. Review results indicated that the regulations were not uniformly applied during the Fiscal Year 1998; current agency policies and procedures may not meet the Board's intent regarding finality in all situations; and administrative finality is still pending implementation for one class of decisions. The report recommended that the Office of Programs: (1) reverse cases with incorrect reopening decisions identified by the audit; (2) request change in the regulations to eliminate the possibility of a case pending indefinitely; and (3) reopen cases in which an annuity had not been adjusted for post-retirement changes to the beneficiary's earnings record.

Management has initiated corrective action for recommendations 1 and 2; action on the third recommendation is pending the development of a new policy.

REDUCTION OF TIER I TO ZERO BY SOCIAL SECURITY BENEFITS

Regular railroad retirement annuities are calculated using a two tier formula. The amount of the tier I benefits is based on railroad and non-railroad earnings. Tier II benefits are computed using railroad compensation only. Annuitants who meet certain additional tests of earnings and years of service may be eligible for other benefits under the Railroad Retirement Act (RRA). These annuitants may also be

entitled to Social Security (SS) benefits; the tier I portion of the RRA annuity is reduced by the amount of any SS benefits.

When the SS benefit is greater than, or equal to, the tier I amount, the net tier I portion of the annuity will equal zero. However, RRA annuities in which the tier I portion has been reduced to zero by offset for SS benefits must be adjusted for subsequent increases to the RRA benefit that increase the tier I portion to an amount greater than zero.

Auditors conducted this review of adjustments made during calendar years 1994-1998 to determine if such benefit adjustments were correctly made. The audit determined that the RRB's Office of Programs routinely adjusts RRA benefit payments to reflect fluctuations in the tier I component. Changes in the SS benefit amount are recognized and properly included in the final payment calculation. No errors were identified that would indicate a condition requiring corrective action.

RAILROAD UNEMPLOYMENT INSURANCE ACT CONTRIBUTIONS

In November 1988, the Railroad Unemployment Insurance and Retirement Improvement Act established an experience-rated employer contribution system. The intent of the law was to strengthen the financial soundness of the unemployment program and require employers with higher unemployment experience to contribute more to the program. The legislation correlated an employer's basic contribution rate to its experience with respect to the RUIA benefits paid to its employees, and established a variable tax on each employer's compensation.

Each employer's contribution rate consists of a basic contribution rate, an administrative expense rate based on the RRB's cost of

administering the RUIA program, and a pooled credit or surcharge, depending upon the year-end balance of the RUIA Account. The pooled credit is a rate reduction that is provided when the Account balance is above a certain level, and the surcharge is added to maintain an adequate level of funding for the program when the balance falls below a certain level. These maximum and minimum levels were initially set at \$250 million and \$100 million. By October 15 of each year, the RRB is required by the legislation to notify each employer of its contribution rate for the next calendar year.

The purpose of the audit was to assess the accuracy of the calculation of the railroad unemployment contribution rates, the timeliness of contribution notices sent to railroad employers and the timeliness of railroad employer contribution payments. Auditors determined that contribution notices and employer contributions are both completed in a timely manner. However, weaknesses were identified in the system, including the calculation of contribution rates. Auditors stated that the agency is not meeting the intent of the legislation nor is it accurately and efficiently maintaining the appropriate employer records. Recommendations advised the RRB's Board Members to seek amendments to the RUIA to strengthen the system. The Board Members declined the proposals.

Auditors also identified incorrect postings of employer contributions from 1992 through 1998. Such errors can be detected through a computer edit program, but agency staff did not run the edit report on a consistent basis. The total impact on 1998 employer contributions as a result of data entry, posting and misclassification errors was approximately \$83,000. As a result, auditors

recommended a review of compensation and contribution data entered into the applicable computer programs since January 1990 to identify inaccurate data. The report also recommended the automation of the RUIA reconciliation process to eliminate current labor intensive manual processing. Management concurred and requested a cost estimate to complete such automation.

Estimated Financial Impact: \$83,000

RRB PROCESSING OF NON-TAX DELINQUENT DEBT

The OIG participated in a government-wide review of non-tax delinquent debt in fiscal year 1997 sponsored by the President's Council on Integrity and Efficiency. The purpose of the study was to examine the agency's compliance with the Debt Collection Improvement Act of 1996 (DCIA). This legislation requires individual program agencies to aggressively pursue the collection of debt that has been delinquent for over 30 days. It also specifically mandates that Federal agencies, with certain exceptions, transfer non-tax debt that has been delinquent for over 180 days to the Department of Treasury for collection.

The objectives of the RRB-OIG portion of the review were to determine if the RRB accurately reported non-tax delinquent debt and to assess if delinquent debt was collectible. Study results indicated that the RRB is effectively pursuing the collection of non-tax delinquent debt. The review also showed that the RRB generally complied with the DCIA. However, during fiscal year 1997, the RRB did not fully implement a DCIA procedure for the referral of debt which has been delinquent for over 180 days to Treasury for centralized collection efforts. The DCIA procedure

was fully implemented by the close of fiscal year 1998. The review also showed that the agency provided adequate debt management, thereby reducing losses to the RRB trust funds.

LOCKBOX OPERATIONS

The administration of RRB benefit programs results in benefit overpayments, and as a result, the agency establishes debts and instructs claimants to send payments to a lockbox address. In order to streamline collection procedures, the RRB contracted with two banks to provide lockbox services for payments. The banks electronically transmit (1) the amount of the payments to the Federal Reserve Bank for deposit into the RRB's account, and (2) payment data to an RRB computer file. RRB employees retrieve and download the information to the agency's Program Accounts Receivable System.

The review indicated that the RRB lockbox operation processed remittances in a timely manner during fiscal year 1997. During that year, the agency processed approximately 12,000 lockbox transactions totaling \$19.7 million. An OIG sample showed the agency received the majority of remittance documents within one business day after bank processing. In addition, for all deposits in the sample, the lockbox banks posted account information to the designated computer system on the same day that the banks processed the remittances. The RRB's debt collection staff reconciled bank deposit amounts to supporting documentation for all sample cases. The agency also stated that it has implemented many changes to the lockbox process to reduce manual handling and to improve timeliness and accuracy.

DEBT ELIGIBLE FOR PRE-RECOVERY WAIVER

Under the RRA and RUIA regulations, the RRB may waive recovery of debt when the debtor is without fault in causing the debt and, in the judgement of the Board, recovery would be contrary to the purpose of the regulations or would be against equity or good conscience. The agency also has an appeals process through which debtors, once collection has begun, may request relief from recovery.

From April 1993 through 1996, the agency used a practice of pre-recovery waiver which was applied prior to billing and without request from the debtor. This type of waiver was limited to debts resulting from an overpayment that had continued for more than four years. If RRB personnel could determine that the debtor was without fault from the existing record, then the debt could be waived.

At the request of the Board Members, the OIG and the agency's Debt Recovery Division conducted a review to assess the extent to which individuals may have been billed for debt that would have satisfied the criteria for pre-recovery waiver. The review team examined the Program Accounts Receivable system data and identified approximately 106,000 debts established during fiscal years 1992-1996. Additional review eliminated debts to which pre-recovery waiver would not apply. A total of 13,311 debts remained that would require detailed examination to determine if they met the criteria for pre-recovery waiver. Seventy-nine per cent of these debts had been waived, canceled or fully collected.

Based on testing and analysis, auditors estimated that approximately 135 (1%) debts would be identified as eligible for pre-recovery waiver that had been subject to collection.

DOCUMENT IMAGING

In its Strategic Plan for 1997-2002, the RRB included an objective to “ensure that the technology structure supports the achievement of the agency’s Strategic Plan.” On June 14, 1999, the agency implemented an updated document imaging system to process sickness insurance applications and to retain copies of tax statements. The agency is now planning to expand the imaging system to other RUIA areas, and examining alternatives for expanding imaging and workflow software to RRA activities. These technologies permit scanning paper documents, creating easily accessible electronic records instead of paper claim folders, automatic routing of work, setting call-up dates and establishing security over the handling of items.

The total development cost of the RRA project is estimated at \$2.5 million, including \$1.1 million in RRB staff costs. The current goal is to eliminate the creation of new claim folders by January 1, 2000. However, the RRA system will not be fully implemented until fiscal year 2002.

This audit focused on the preparation of the cost benefit analysis for the RRA imaging initiative and the planning stage of the RUIA replacement initiative. Auditors determined that the RRB is not in compliance with its internal guidelines because the current cost benefit analysis does not contain the required detailed and rigorous analysis. Because of missing details on costs and savings, the OIG was unable to fully assess all alternatives listed in the analysis to determine if the agency had chosen the most cost effective alternative. No details were given on the calculation of some costs and projected savings, nor were all cost items included.

The report recommended that management review and approve a detailed implementation plan before approving additional funding for the RRA imaging project. Management concurred and will review the final plan in early fiscal year 2000. Auditors also recommended that additional costs for equipment be charged to the document imaging project; management agreed.

AUDITS: MANAGEMENT DECISIONS AND IMPLEMENTATION

Through a Memorandum of Understanding, the Director of Administration transferred the responsibility for managing the open audit follow-up system to the Office of Inspector General. This system tracks the status of corrective actions for all audit recommendations. Procedures are in place to ensure that the agency is in compliance with all applicable regulations. Office of Management and Budget Circular No. A-50 (Revised) and the Inspector General Act Amendments of 1988 require the reporting of management decisions and corrective actions for all audit recommendations.

Management Decisions

Recommendations requiring a management decision on April 1, 1999	5
New recommendations issued during this period	
pending a management decision	1
Previous recommendations for which a management	
decision was made	- 2
Number of recommendations pending a management decision	
on September 30, 1999	<u>4</u>

Corrective Actions

Prior recommendations requiring action on April 1, 1999	76
New recommendations issued during this six month reporting period	41
Recommendations for which corrective actions	
were completed from April 1, 1999 - September 30, 1999	- <u>32</u>
Recommendations pending final action	
September 30, 1999	<u>85</u>

OFFICE OF INVESTIGATIONS

The Office of Investigations (OI) focuses on RRB benefit program fraud. OI's primary objective is to identify, investigate, and refer for prosecution and monetary recovery action, cases of waste, fraud and abuse in RRB programs. Through its investigations, OI also seeks to prevent and deter program fraud. In order to maximize the effect of its resources, OI continues to pursue cooperative investigative activities and coordination with other Inspectors General and law enforcement agencies, which include the Social Security Administration-Office of Inspector General (SSA-OIG), the Federal Bureau of Investigation (FBI), the U.S. Secret Service, the Internal Revenue Service, the Postal Inspection Service and the Defense Criminal Investigative Service.

Operational Issues

OI conducted a followup review of physical security of the RRB headquarters building, and alerted the Board Members that current security provisions were insufficient to ensure the safety of RRB employees. An earlier review indicated that the agency met minimum security standards only. The OIG recommended that management make improvements in current security procedures by installing magnetometers and x-ray equipment in the lobby of the headquarters building at the earliest possible date. The OIG also stated that the presence of only one guard in the lobby during core business hours constituted a weakness that should be addressed without delay. As a result, the agency's Building Security Committee reviewed current security procedures and agreed changes were needed.

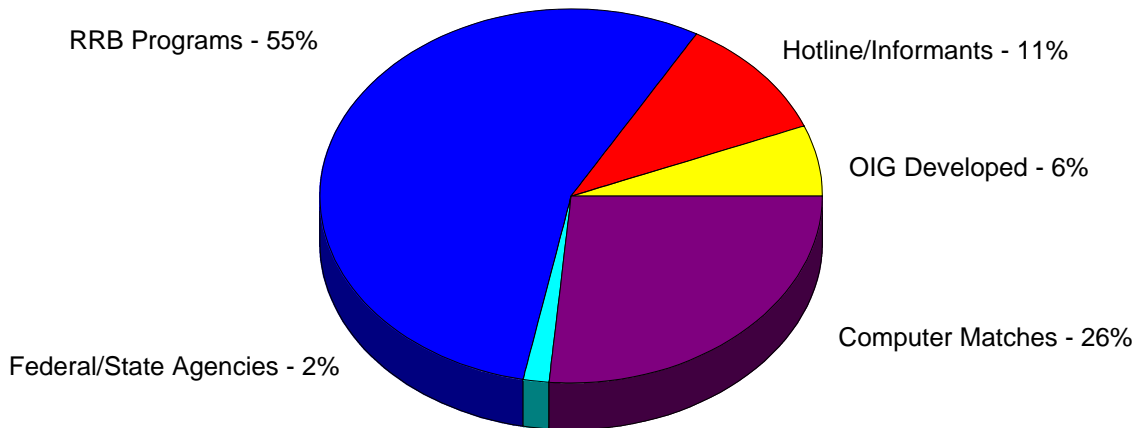
On September 20, 1999, the Board Members approved the OIG's recommendations.

INVESTIGATIVE ACCOMPLISHMENTS

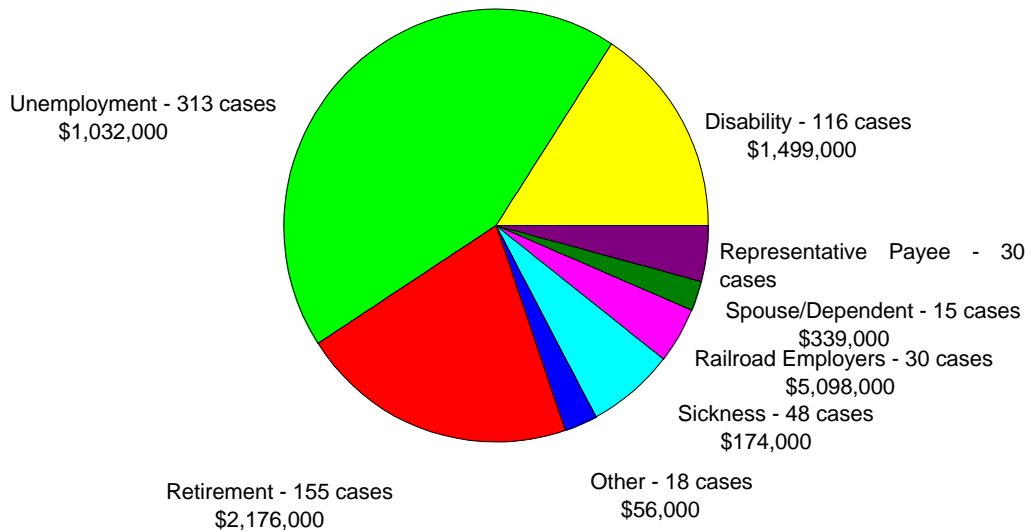
	04/01/99 - 09/30/99	FY 1999
Convictions	41	79
Civil Judgements	24	50
Indictments/Informations	45	71
Investigative Recoveries & Savings	\$ 127,701	\$ 309,316
Restitutions and Fines	\$ 558,288	\$ 1,313,667
Civil Damages and Penalties	\$ 227,456	\$ 899,637
Community Service Hours	415	735
Disciplinary/Administrative Action	0	0
Complaints	14	38
Arrests	17	35
Subpoena Service:		
Inspector General	10	15
Federal Grand Jury	37	69
U.S. Attorney Referrals	171	285

INVESTIGATIVE CASES

During this semiannual period, OI opened 110 investigations and closed 171 cases. The major sources of case referrals are illustrated below.



OI's current caseload is approximately 725 criminal matters, representing over \$10.6 million in fraud against the RRB. A breakdown of the cases by RRB program area and estimated fraud losses is provided in the table below.



AFFIRMATIVE CIVIL ENFORCEMENT (ACE) PROGRAM

Ol continues to pursue prosecution of cases under the Department of Justice's Affirmative Civil Enforcement Program. This program involves "fast track" civil prosecution of cases under the provisions of the Title 31, U. S. Code, Sections 3729-3733, The Civil False Claims Act. This statute allows the government to recover up to triple damages as well as \$5,000 to \$10,000 for each false claim submitted.

During this reporting period, a total of 23 civil judgements under the ACE program were entered by Federal district courts which will result in the return of \$211,362 to the government when the funds are collected.

The Department of Justice is frequently obtaining double damages through these civil false claims prosecutions. The judgements obtained in these cases also provide the agency with an efficient and effective basis to pursue their collection activities.

The ACE Program continues to provide an efficient means to address fraud against agency programs, particularly where the fraud losses are below the financial guidelines for criminal prosecution. It also is an effective way to return fraud losses to the RRB's trust funds and create a deterrent against future fraud.

REPRESENTATIVE INVESTIGATIONS

Railroad Employer Fraud

OI investigates cases involving false reporting by railroad employers. Such cases are often worked jointly with the Internal Revenue Service under the direction of the Department of Justice Tax Division attorneys. These cases can involve complex fraud schemes which result from collusion among railroad employers, retired railroad workers and third party employers. These schemes have a substantial impact on the agency's trust funds because the retirees are receiving benefits to which they are not entitled and, at the same time, the employers are not submitting contributions to the trust funds as required.

OI currently has 30 open cases involving allegations related to railroad employers. During this reporting period, the U.S. District Court for the State of Alaska imposed final sentence against the White Pass and Yukon Route Railroad under the terms of a plea agreement which was reported in the Semiannual Report to Congress for the period ending March 31, 1999. This sentencing will result in the railroad paying over \$500,000 in criminal restitution and civil damages. This railroad will also submit amended reports to the agency to ensure that 25 railroad workers will receive accurate service and compensation credit and ensure their appropriate benefits.

Retirement Benefit Cases

RRB retirement fraud typically involves the theft and fraudulent cashing of U.S. Treasury checks, or the illicit conversion of U.S. Treasury electronic fund transfers, by someone other than the authorized RRB annuitant. During this reporting period, OI obtained 19 convictions for retirement fraud. Defendants received 58 years probation, and four years, two months imprisonment. They were ordered to pay \$323,394 in restitution, \$1,000 in fines and required to

perform 315 hours of community service. In addition, the RRB will recover \$57,872 in overpayments.

Examples of recent retirement cases follow.

An RRB District Office referred this case after all attempts to contact the annuitant failed. The referral reported that a retired annuitant was possibly deceased based on an undeliverable annuity payment. Investigation revealed that the annuitant's son and daughter-in-law had failed to report his November 30, 1982 death. As a result, the couple had fraudulently received approximately \$73,938 in retirement annuity benefits. On April 5, 1999, the couple was convicted on Conspiracy to Commit an Offense or Defraud the U.S. The son was sentenced to three months in prison; his wife was placed on probation for three years. Because the couple had no income, no restitution was ordered.

An RRB program office referred a case involving an annuitant who misrepresented material facts on an RRB application form for a child's annuity. The subject had made false statements regarding her child's receipt of Social Security benefits. During the course of the investigation, agents discovered that the woman had listed the natural father as a former railroad worker. In fact, the child's father was someone with no railroad employment history.

On August 18, 1999, she pleaded guilty to one count of Title 45, Section 231(l), False Statement on an RRB Application. She was sentenced to four months home confinement, five years probation and ordered to make restitution of \$42,548.

OI initiated an investigation after a computer match between the Illinois Department of Public Aid (IDPA) records and RRB annuitant records. The subject of this investigation failed to notify the IDPA that she was receiving RRB benefit checks on behalf of an RRB annuitant who was living in a nursing home. IDPA was paying all the nursing home expenses for the annuitant. The representative payee used over \$64,217 in RRB benefits for her personal expenses. On August 27, 1999, the subject was sentenced on one count of Mail Fraud, sentenced to five years probation, and placed on home detention for six months. She was ordered to pay \$20,000 in restitution at a rate of \$100 per month or 10% of her gross monthly income, whichever is greater. The court found that, due to her poor financial condition, full restitution would not be ordered.

OI received a Hotline complaint in which the caller indicated that an unknown individual claiming to be a particular RRB annuitant had attempted to negotiate a benefit check. Agents determined that the annuitant had, in fact, died on July 29, 1993. The RRB had issued 53 annuity payments totaling \$32,622 since his death. His wife had fraudulently negotiated 38 checks before her death on November 30, 1996. The remaining checks which totaled \$9,032 were fraudulently cashed by the annuitant's son. The son pleaded guilty to Theft of Public Money and was sentenced to four months of incarceration, five years of probation, \$1,000 fine and ordered to make restitution of \$9,032.

Unemployment and Sickness Insurance Cases

Unemployment Insurance (UI) and Sickness Insurance (SI) benefit fraud involves individuals claiming and receiving UI or SI benefits while working and receiving wages from an employer, in violation of Federal law. The primary source of UI/SI fraud cases remains state computer matching programs that compare RRB beneficiaries with individuals for whom wages have been reported.

During this reporting period, OI obtained 19 convictions for UI and SI fraud. Defendants in these cases received, in the aggregate, 29½ years of probation, four months imprisonment, were ordered to pay \$111,331 in restitution, and perform 100 hours of community service. OI also achieved 20 civil judgements which will return \$83,984 to the UI/SI programs. The RRB will be able to recover an additional \$36,285 as a result of OI investigations.

Examples of typical cases involving individuals fraudulently receiving unemployment or sickness insurance benefits follow. All the cases described below were based on referrals from the RRB's Sickness and Unemployment Benefits Division.

- # OI opened an investigation of a subject who fraudulently collected unemployment benefits while employed as a maintenance worker at the Michigan Department of Transportation. The individual claimed and received \$3,026 in unemployment benefits while working. He was convicted on both civil and criminal charges. On June 15, 1999, the subject entered into a consent judgement with the civil division of the U.S. Attorney's Office for violation of Title 31, Section 3729, False Claims Act. He was ordered to make restitution in the amount of \$6,195. On September 16, 1999, he was convicted by the criminal division on one count of violating

Title 18, Section 1001, False Statement. The subject was sentenced to five years probation.

- # OI initiated another investigation of an individual who was working as a counselor at Maryville Academy in Chicago while collecting unemployment benefits. The subject fraudulently claimed benefits while employed. He was convicted and sentenced to one year of court supervision and ordered to make restitution to the RRB for \$2,942.

- # Another sickness insurance claimant residing in New York collected sickness benefits on the same days he worked for a private employer in New Jersey. The subject submitted false claims to the RRB and fraudulently collected benefits from September 1993 through September 1994. On July 9, 1999, he entered into a Pretrial Diversion Agreement and was placed on probation for six months and ordered to make 23 restitution payments totaling \$7,762.

Disability Cases

The OIG also conducts fraud investigations relating to the RRB's disability program, which typically involves larger financial amounts and more sophisticated schemes. During this reporting period, OI obtained 3 convictions for disability fraud and defendants in these cases were ordered to pay \$73,696 in restitution, and serve 9½ years probation. Three civil judgements were realized that will return \$127,378 to the disability program. An additional \$33,545 in overpayments will be recovered as a result of OI investigations concerning disability fraud cases.

Examples of typical disability fraud cases follow.

- # Based on a referral from the agency, OI initiated an investigation of a former Conrail employee. The allegation indicated that the subject had earnings in excess of the maximum wage limitations for disability annuitants which are earnings of not more than \$400 monthly or \$4,999 per year. From May 1995 through January 1998, the subject collected disability benefits while employed. His wages exceeded his monthly earnings limitations that resulted in the theft of \$39,044 in disability benefits.

On May 25, 1999, the subject pleaded guilty to violating Title 18 U.S.C., Section 641, Theft of Public Money and was sentenced to six months of house arrest, five years of probation, and ordered to make restitution of \$39,044.

- # A state matching program with the State of Ohio identified an individual who earned more than the allowable wages from 1994 through 1997. The subject, employed as a car salesman, received \$49,916 in RRB benefits to which he was not entitled. In July 1999, the subject reached a plea agreement with the U.S. Attorney in the Northern District of Ohio. He was subsequently sentenced to four months in jail, two years house arrest, and ordered to pay restitution of \$49,916.

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- # Another disability annuitant became employed and subsequently notified the RRB of his employment. He instructed his wife to notify the agency of this action in writing and return any U.S. Treasury checks. However, his wife negotiated 23 checks by forging her husband's signature and co-endorsing them without his knowledge. Her actions resulted in the theft of \$34,651 in RRB disability benefits. On June 23, 1999, she entered into a Pretrial Diversion Agreement for a violation of 18 U.S.C. Section 1341, Mail Fraud. She was placed on probation for a period of 18 months and ordered to make restitution of \$34,651.

HOTLINE CALLS

The Office of Inspector General established its Hotline to receive complaints concerning suspected fraud, waste and abuse in RRB programs and operations. The Hotline provides an open line of communication for individuals who desire to report suspected criminal activity, conflict of interest, mismanagement, and waste of RRB funds.

	<u>4/99 - 9/99</u>	<u>FY 1999</u>
Total Contacts (Telephone Calls and Letters)	822	1635
Referred to : RRB-OIG, Office of Investigations	100	202
RRB Bureaus/Offices	529	1100
Other Federal Agencies	9	27
United Health Care Corporation/		
Other (misdirected calls, followup calls to agents		

APPENDIX A

OIG REPORTS ISSUED

Report No.	Title
99-08	Railroad Retirement Board Processing of Non-Tax Delinquent Debt, April 8, 1999
99-09	Review of Lockbox Operations, May 10, 1999
99-10	Review of Retroactive Spouse Application Processing, May 26, 1999
99-11	Administrative Finality, July 14, 1999
99-12	Debt Eligible for Pre-Recovery Waiver, August 3, 1999
99-13	Review of the Reduction of Tier I to Zero by Social Security Benefits, August 16, 1999
99-14	Review of the Railroad Unemployment Insurance Act Contributions, September 21, 1999
99-15	Review of Document Imaging, September 23, 1999
99-16	Financial Interchange: Status of Prior Recommendations for Change, September 28, 1999
99-17	Review of Supplemental Annuities, September 30, 1999
99-18	Review of the Year 2000 Project, September 30, 1999

APPENDIX B

INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS

	<u>Number</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision had been made by April 1, 1999	0	0	0
B. Which were issued from April 1, 1999 through September 30, 1999	0	0	0
Subtotals (A + B)	0	0	0
C. For which a management decision was made from April 1, 1999 through September 30, 1999	0		
(i) dollar value of disallowed costs		0	0
(ii) dollar value of costs not disallowed		0	0
D. For which no management decision has been made by September 30, 1999	0		0
Reports for which no management decision was made within six months of issuance	0		0

**INSPECTOR GENERAL ISSUED REPORTS
WITH RECOMMENDATIONS THAT
FUNDS BE PUT TO BETTER USE**

	<u>Number</u>	<u>Dollar Value</u>
A. For which no management decision has been made by April 1, 1999	0	
B. Which were issued from April 1, 1999 through September 30, 1999	3	
Subtotals (A + B)	3	
C. For which a management decision was made from April 1, 1999 through September 30, 1999	3	
(i) dollar value of recommendations that were agreed to by management		\$59,083,000
(ii) dollar value of recommendations that were not agreed to by management		0
D. For which no management decision has been made by September 30, 1999	0	
Reports for which no management decision was made within six months of issuance	0	

APPENDIX C

REPORT ON RECEIVABLES, WAIVERS, AND RECOVERIES

The FY 1999 appropriations language for this office requires the reporting of additional information concerning actual collections, offsets and funds put to better use achieved as a result of Inspector General activities. Figures are to be provided for each semiannual period and as a cumulative number.

Office of Audit

<u>Report No.</u>	<u>Funds to be Put To Better Use</u>	<u>Funds Agreed by Management</u>	<u>Receivables Established</u>	<u>Waivers</u>	<u>Recoveries To Date</u>
99-03	\$ 50,850	\$ 50,850	\$ 50,850	\$ 50,490	\$ 360
99-14	\$ 83,000	\$ 83,000*	\$ 34,423		
99-16	\$ 48,000,000	\$ 48,000,000			
99-17	\$ 11,000,000	\$ 11,000,000			

Office of Investigations

Recoveries realized by the RRB resulting
from court ordered restitution and civil damages

October 1, 1998 - March 31, 1999: \$ 344,465
April 1, 1999 - September 30, 1999: \$ 511,190

*This figure includes monies owed to the agency and overpayments which must be refunded.

The OIG is continuing to consult with Department of Justice officials to obtain additional information from their systems regarding civil damages and penalties that are deposited to the Department of the Treasury miscellaneous account.

APPENDIX D - PREVIOUSLY REPORTED SIGNIFICANT RECOMMENDATIONS ON WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED

**AUDITS OF THE FINANCIAL STATEMENTS FOR FY 1993 (JULY 15, 1994),
FY 1994 (JANUARY 13, 1995), FY 1995 (APRIL 23, 1996), FY 1996
(JANUARY 10, 1997), FY 1997 (FEBRUARY 27, 1998), and FY 1998
(MARCH 5, 1999)**

The RRB has not implemented necessary changes to fully address weaknesses cited in the audits of the agency's financial statements for fiscal years 1993-1998.

- C Financial Interchange - The current timetable for the settlement process prevents the timely and accurate preparation of annual financial statements. Auditors have recommended that the agency record and report on financial interchange amounts during the year of settlement.
- C Crediting of retirement tax deposits - The RRB continues to work with the Internal Revenue Service and Department of the Treasury to ensure deposits are being properly credited. The agency plans to complete corrective action by June 2000.
- C Overall control environment of the agency - Although the RRB has implemented several reorganizations, agency operations have not changed significantly. There are 17 separate operating units reporting to six senior managers and no independent Chief Executive Officer. The three Board Members remain highly involved in the operational affairs of the agency.

APPENDIX E - AUDIT REPORTS OVER SIX MONTHS OLD PENDING A MANAGEMENT DECISION

Review of Quality Assurance Activities, Report No. 97-06, January 22, 1997

The Office of Inspector General reviewed agency quality assurance activities to identify the assignment of quality assurance responsibilities within the agency. The report recommended that the Board Members assign each Director the responsibility for quality assurance relative to the functions and activities of their respective offices and eliminate the current Bureau of Quality Assurance organization. We also recommended that the Board Members implement a quality management program similar to one proposed by a Total Quality Management task force in 1993.

The Director of Administration, the Director of Programs and the Assistants to the Board Members deferred action on the recommendations pending the final organizational structure and submission of a quality plan for the Assessment and Training Unit in the Office of Programs. Although the plan was submitted to the Board Members on August 11, 1997, no decision has been made.

The Board Members also agreed to address a quality management program in the context of a partnership council with the employee union. Discussions with the union were halted after union representatives insisted the partnership council include the Board Members or have authority to make binding decisions.

On September 22, 1998, the Board Members agreed to form a committee of their assistants to review the overall organization of the agency. In January 1999, the Board Members directed the Executive Committee to suggest organizational improvements which includes responsibility for quality assurance activities. The Committee submitted recommendations to the Board Members on June 18, 1999. No final decision has been reached.

APPENDIX F - RRB MANAGEMENT REPORTS*

MANAGEMENT REPORT ON FINAL ACTION ON AUDITS WITH DISALLOWED COSTS FOR THE SIX MONTH PERIOD ENDING SEPTEMBER 30, 1999

	<u>Number of audit reports</u>	<u>Disallowed costs</u>
A. Audit reports, with management decisions, on which final action had not been taken at the beginning of the period.	<u>0</u>	\$ <u>0</u>
B. Audit reports on which management decisions were made during the period.	<u>0</u>	\$ <u>0</u>
C. Total audit reports pending final action during the period. (A + B)	<u>0</u>	\$ <u>0</u>
D. Audit reports on which final action was taken during the period.		
1. Recoveries		
(a) Collections and offsets	<u>0</u>	\$ <u>0</u>
(b) Property	<u>0</u>	\$ <u>0</u>
(c) Other	<u>0</u>	\$ <u>0</u>
2. Write-offs	<u>0</u>	\$ <u>0</u>
3. Total of 1 and 2	<u>0</u>	\$ <u>0</u>
E. Audit reports needing final action at the end of the period (C - D.3)	<u>0</u>	\$ <u>0</u>

*The information contained in this section has been provided by RRB management.

**MANAGEMENT REPORT ON FINAL ACTION ON AUDITS
WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE
FOR THE SIX MONTH PERIOD ENDING SEPTEMBER 30, 1999**

	<u>Number of audit reports</u>	<u>Funds to be put to better use</u>
A. Audit reports, with management decisions, on which final action had not been taken at the beginning of the period.	<u>1</u>	\$ <u>3,093,501</u> ¹
B. Audit reports on which management decisions were made during the period.	<u>3</u>	\$ <u>58,711,943</u> ²
C. Total audit reports pending final action during the period. (A + B)	<u>4</u>	\$ <u>61,805,444</u>
D. Audit reports on which final action was taken during the period.		
1. Value of recommendations implemented (completed)	<u>1</u>	\$ <u>3,093,501</u>
2. Value of recommendations that management concluded should not or could not be implemented (completed)	<u>0</u>	\$ <u>0</u>
3. Total of 1 and 2	<u>1</u>	\$ <u>3,093,501</u>
E. Audit reports needing final action at the end of the period (C - D.3)	<u>3</u>	\$ <u>58,711,943</u>

¹ The funds put to better use reflect the findings of an audit on accuracy of vested dual benefit (VDB) payments, Audit Report 98-23. In that report, the Office of Inspector General reviewed three samples of VDB cases and projected erroneous payments (under- and overpayments) of \$2,400,000 by the year 2003 (5-year period) if uncorrected. This amount was reported in the previous report for the period ending March 31, 1999. An agency review of VDB cases identified underpayments of \$2,992,368 and overpayments of \$101,133, accounting for the current total of \$3,093,501.

² Comprised of the following amounts: \$105,743 in over- and underpayments of employer contributions identified in Audit Report 99-14, "Review of the Railroad Unemployment Insurance Act Contributions," issued September 21, 1999; \$48,000,000, including \$18 million in interest, that could be credited to the

railroad retirement trust funds as a result of Audit Report 99-16, "Financial Interchange: Status of Prior Recommendations for Change," issued September 28, 1999; and \$10,606,200 in projected erroneous payments from Audit Report 99-17, "Review of Supplemental Annuities," issued September 30, 1999.

**MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS
OVER TWELVE MONTHS OLD WITH FINAL ACTION PENDING
AS OF SEPTEMBER 30, 1999**

<u>Report</u>	Assurance Activities (97-06)	<u>Date</u>	Disallowed <u>Costs</u>
Computer Match of RUIA Benefits and Compensation Adjustment Reports (93- 20)		08/04/93	None
Audit of the RRB's FY1993 Financial Statements		07/15/94	None
Audit of the RRB's FY1994 Financial Statements		01/13/95	None
Audit of the RRB's FY1995 Financial Statements		04/23/96	None
Review of Initial Claims Processing (96-15)		09/20/96	None
Review of the Audit and Compliance Division (97-01)		11/01/96	None
Review of Modem Usage (97-05)		01/08/97	None
Review of Quality		01/22/97	None

Funds to be put to <u>better use</u>	Reason action has not _____	underway, as the agency develops new regulations on continuing disability reviews.	servers to make them Year 2000 compliant.
None	<u>been</u> <u>complete</u> <u>d</u>	The two remaining recommenda tions were superseded by a separate audit of fixed asset controls issued October 5, 1999.	The agency's Executive Committee submitted proposals on June 18, 1999 and October 28, 1999, to further develop the RRB's quality assurance program and related activities.
None	Necessar y program ming changes to perform the computer match will be	Implementati on plans for advance evidence collection are underway, including an on-line processing system	
None	addresse d upon successfu l completi on of the Year 2000 conversio n effort.	planned for the new millennium.	
None	Corrective actions on two remaining recomme ndations are underway, with target completi on dates in Fiscal	Efforts to establish a memorandu m of understandin g with the IRS are pending.	
None	Year 2000. Corrective action on the remaining recomme ndation is	Installation of anti-virus software in agency LAN's has been delayed by work on upgrading agency	

**MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS
OVER TWELVE MONTHS OLD WITH FINAL ACTION PENDING
AS OF SEPTEMBER 30, 1999**

<u>Report</u>	Services Contract (97-20)	<u>Date</u>	Disallowed <u>Costs</u>	Funds to be put to <u>better use</u>
Review of Non-Priority Correspondence Handling (97-09)		03/13/97	None	None
Review of EDM Suspended Transactions (97-15)		05/08/97	None	None
Review of RRB Compliance with Electronic Payment Requirements (97-16)		05/12/97	None	None
RRB Disability Review Program (97-17)		07/10/97	None	None
Prepayment Verification Period Pilot Program (97-18)		07/31/97	None	None
Review of Duplicate Postings of Railroad Compensation (97-19)		07/31/97	None	None
Review of the Medical		08/13/97	None	None

Reason action has not been completed	completion of the Year 2000 conversion effort.
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The Office of Programs issued added procedures for acknowledgment letters on August 23, 1999, and will use the recently installed frame-relay network in all field offices to develop a comprehensive tracking system.	The agency is working to amend the contract to provide a higher timelines standard.
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Agency staff are developing a personal computer system for controlling these cases.

An on-line processing system currently under development will address the remaining recommendation.

The agency is developing regulations to discontinue periodic reviews for cases in which medical improvement is not expected, and a computer database of disability cases will be developed upon successful completion of Year 2000 efforts.

Completion of this item will depend on a test currently underway of the agency's new cost accounting software.

Necessary programming changes to suppress some duplicate earnings referrals will be addressed upon

**MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS
OVER TWELVE MONTHS OLD WITH FINAL ACTION PENDING
AS OF SEPTEMBER 30, 1999**

<u>Report</u>	<u>Date</u>	<u>Disallowed Costs</u>	<u>Funds to be put to better use</u>	<u>Reason action has not been completed</u>
Review of Overpayments - SSA Transfer Cases (97-22)	08/25/97	None	None	Further automation of non-death termination cases will be addressed upon successful completion of the Year 2000 conversion effort.
Audit of the RRB's FY1997 Financial Statements (98-07)	02/27/98	None	None	The agency is developing improved internal controls over computer services. The recommendation on property control was superseded by a separate audit of fixed asset controls issued October 5, 1999.
Total and Permanent Disability Processing Efficiency (98-08)	03/06/98	None	None	A study of processing time is underway, and preliminary steps have been taken to identify processing costs.
Reversals of Disability Denials (98-13)	05/11/98	None	None	The Office of Programs continues to monitor efforts by the Social Security Administration to revise the disability appeals process.
Vested Dual Benefits Appropriations (98-15)	06/16/98	None	None	The recently approved Strategic IRM Plan provides for a review of benefit component accounting in conjunction with a study of the agency's information technology architecture.
Accuracy and Timeliness of SSA Benefits Paid by the RRB (98-17)	07/27/98	None	None	Corrective actions are pending completion of the Year 2000 conversion effort or review by OIG staff.
Information Technology Capital Planning (98-20)	09/04/98	None	None	The agency completed centralization of LAN administration on September 27,

1999, updated the description of the ADP Steering Committee effective October 12, 1999, and approved an updated Strategic IRM Plan on November 1, 1999.

**MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS
OVER TWELVE MONTHS OLD WITH FINAL ACTION PENDING
AS OF SEPTEMBER 30, 1999**

<u>Report</u>	<u>Date</u>	<u>Disallowed Costs</u>	<u>Funds to be put to better use</u>	<u>Reason action has not been completed</u>
Review of the Accuracy of Vested Dual Benefits (98-23)	09/30/98	None	None	Necessary programming changes have been requested to ensure processing systems exclude erroneous data.

APPENDIX G - REPORTING REQUIREMENTS

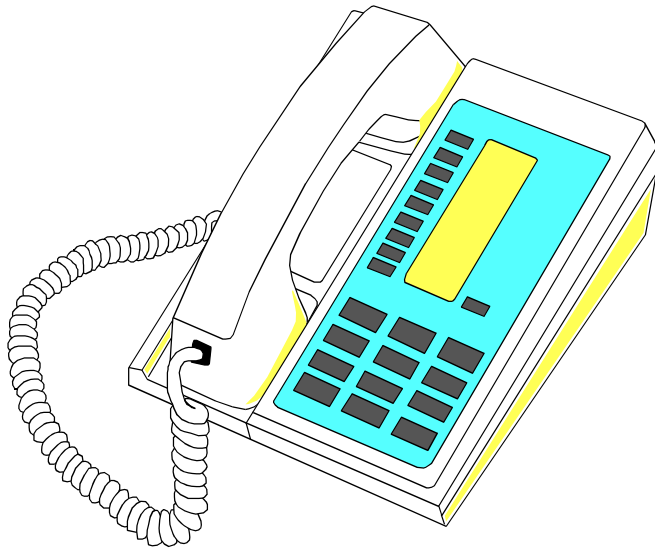
Inspector General Act Requirements	Page
Section 4(a)(2) - Review of Legislation and Regulations	None
Section 5(a)(1) - Significant Problems, Abuses, and Deficiencies	3-5
Section 5(a)(2) - Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	3-5
Section 5(a)(3) - Prior Significant Recommendations Not Yet Implemented	36
Section 5(a)(4) - Matters Referred to Prosecutive Authorities	22
Section 5(a)(5) - Instances Where Information Was Refused	None
Section 5(a)(6) - List of Audit Reports	32
Section 5(a)(7) - Summary of Each Significant Report	3-5
Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs	33
Section 5(a)(9) - Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	34
Section 5(a)(10) - Summary of Each Audit Report Over 6 Months Old For Which No Management Decision Has Been Made	37
Section 5(a)(11) - Description and Explanation for Any Significant Revised Management Decision	None
Section 5(a)(12) - Information on Any Significant Management Decisions With Which the Inspector General Disagrees	None

Management Requirements

Section 5(b)(1) - Comments Deemed Appropriate	Transmittal Letter
Section 5(b)(2) - Statistical Table on Final Action on Disallowed Costs	38
Section 5(b)(3) - Statistical Table on Final Action To Put Funds to Better Use	39
Section 5(b)(4) - Statement on Audit Reports With Final Action Pending	40

REPORT

FRAUD, WASTE AND ABUSE



Call the OIG Hotline: 1-800-772-4258

E-mail: RRBOIG-CHI@worldnet.att.net

The OIG cannot ensure confidentiality to persons who provide information via e-mail. Do not send information by e-mail that you do not want a third party to read.

**Write: RRB-OIG Hotline Officer
844 North Rush Street
Chicago, IL 60611-2092**